GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:234
ANSWERED ON:02.12.2004
TRANSFER OF KELTRON TO MINISTRY OF DEFENCE
Chandrappan Shri C.K.

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government of Kerala has offered all units of Keltron to Ministry of Defence to transform these into sophisticated units of Defence production;

(b) if so, whether the task force, appointed to study this proposal has submitted its report;

(c) if so, the findings, suggestions and recommendations made by the said task force;

(d) the action taken by the Union Government thereon; and

(e) the time by which the final decision is likely to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF DEFENCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI BIJOY KRISHNA HANDIQUE)

(a) Yes, Sir.

(b) Yes, Sir.

(c) Recommendations are annexed.

(d) & (e): Defence Production Units have been advised to develop and intensify further areas of cooperation, based on the existing framework of government guidelines and purchase policies.

ANNEXURE REFERRED TO IN THE REPLY GIVEN IN PART (c) OF LOK SABHA UNSTARRED QUESTION NO. 234 FOR 2.12.2004

Report of the Task Force:

8 Recommendations of the Task Force with respect to long-term arrangements.

8.1 The two State PSUs, KELTEC/KELTRON, are valued suppliers to Defence Establishments and Space Department for over a decade. The companies have been more involved in supplies of developmental nature, which does not provide a long-term and planned feed for their consistent growth and upgradation. It is desirable to provide the Companies with a consistent and committed workload through long-term procurement relationship.

8.2 HAL, BEL, BDL, OFB, ISRO and DRDO have identified items for such long-term relationship. These are listed in Chapter 7.0. DRDO and ISRO have already a successful ongoing procedure for placing orders on these firms. Continuation and further enlargement of this relationship would be useful for mutual benefit of these organisations. However, with respect to DPSUs and OFB a viable procedure for implementation of such a relationship be looked into and approved by competent authority because at present they are bound to follow the general tendering procedure based on Government/CVC guidelines.

8.3 For orders of development nature, small batch size and requiring constant interaction and upgradation of skills and facilities appropriate long term relationship with KELTEC and KELTRON would be desirable.

8.4 The Task Force, after considerable deliberations, recommends the following:-

8.4.1 The DPSUs, DRDO, OFs, etc. may appoint KELTEC and KELTRON as a `Preferred Vendor` as currently being done by Space Department, in specified areas of procurement. The buying company may follow the limited tender process within the preferred vendors for such procurements.

8.4.2 In view of the financial constraints of KELTEC and KELTRON, the long- term orders may include advance payment/free issue of material along with orders, wherever possible.

8.4.3 DPSUs/OFB may also consider investment in upgradation of specific technologies as needed for their niche production coupled with operational control, if desired.

8.4.4 The items and work identified may be put on a `Rate Contract` for a period ranging from one to five years, depending on the nature of items, volumes involved and the spread over a time frame. The `Rates` and terms shall be mutually agreed by the buying company and KELTEC/KELTRON. For the period when this Rate Contract is in vogue, the buying company can straightaway procure from KELTEC and KELTRON based on agreed schedule, without having to follow any tendering process. Arrangement currently in practice with DGS&D in this respect may be considered.

8.5 OFB representative has cited synergy between OFB and KELTEC and some of the units of KELTRON and has indicated an option to acquire KELTEC and some units of KELTRON either as subsidiary or direct integration with OFB.

Considering the proposal from Kerala Government to the Central Government for acquiring KELTEC and KELTRON the Government may examine this in details including due diligence.